

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1039 - SB 1402

March 22, 2021

SUMMARY OF ORIGINAL BILL: Changes the date, from February 1 to February 14, by which the Commissioner of the Department of Labor and Workforce Development must annually provide a report to the General Assembly which details the condition of the Unemployment Compensation Fund.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005608): Deletes all language after the enacting clause. Makes changes to the amount of maximum unemployment benefits. Establishes that any eligible claimant is entitled during any benefit year a total amount of benefits equal to the following:

- Twelve weeks if the state's average unemployment rate is at or below five and five-tenths percent (5.5%);
- An additional week in addition to the 12 weeks for each five-tenths percent (0.5%) increment in the state's average unemployment rate above five and five-tenths percent (5.5%); or
- Up to a maximum of 20 weeks if the state's average unemployment rate exceeds nine percent (9%)

Requires the Department of Labor and Workforce Development to implement the provisions of this legislation by December 1, 2023.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$250,000/FY22-23/General Fund

Decrease State Expenditures – Net Impact

Exceeds \$13,550,000/FY22-23/Unemployment Insurance Trust Fund

Exceeds \$27,100,000/FY23-24 and Subsequent Years/

Unemployment Insurance Trust Fund

Assumptions for the bill as amended:

- This legislation must be implemented no later than December 1, 2023. For purposes of this fiscal analysis it is assumed that the first full-year of impact to the Unemployment Trust Fund will be in FY23-24; the impact in FY22-23 will be 50 percent of the full-year impact; the first-year impact for setup expenditures will be FY22-23.
- Currently, maximum unemployment benefits are equal to the following:
 - Twenty-six times the claimant's weekly benefit amount; or
 - One-fourth of the claimant's wages for insured work paid during the claimant's base period.
- Based on information provided by the Department of Labor and Workforce Development (DLWD) and based off historical unemployment rates, a reduction in the duration of payments is estimated to result in an average annual decrease in state expenditures out of the Unemployment Insurance Trust Fund (Fund) in the range of \$31,000,000 to \$36,000,000.
- A recurring decrease in state expenditures to the Fund estimated to exceed \$31,000,000 beginning in FY23-24. The decrease in state expenditures to the Fund in FY22-23 is estimated to be \$15,500,000 (\$31,000,000 x 50%).
- This legislation will increase weekly benefits by \$5 for all claimants.
- Increasing the weekly benefit for unemployed person will result in a significant increase in state expenditures from the Fund, beginning in FY23-24.
- DLWD did not provide information to the Fiscal Review Committee staff to utilize in estimation of the fiscal impact of such increase.
- Based on Fiscal Review Committee staff research, it is assumed that this increase in weekly benefits will impact approximately 65,000 claimants.
- The average length of unemployment benefits, upon enactment of this legislation, is estimated to be 12 weeks.
- A recurring increase in state expenditures from the Fund of \$3,900,000 (\$5 x 12 weeks x 65,000 claimants), beginning in FY23-24. The increase in state expenditures from the Fund in FY22-23 is estimated to be \$1,950,000 (\$3,900,000 x 50%).
- A net decrease in state expenditures to the Fund exceeding \$27,100,000 (\$31,000,000 - \$3,900,000) in FY23-24 and subsequent years and exceeding \$13,550,000 (\$15,500,000 - \$1,950,000) in FY22-23.
- The Department will incur a one-time increase in state expenditures from the General Fund of \$250,000 in FY22-23 for IT costs related to unemployment benefits system changes.
- This legislation may result in additional increases in expenditures for subsequent IT system changes for DLWD; however, such expenditures will account as revenue to the STS, so the net impact upon the state is estimated to be not significant.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Commerce Impact – Due to multiple unknown factors a precise impact on business revenue and expenditures cannot be quantified with reasonable certainty.

Assumptions for the bill as amended:

- It is estimated that this legislation will result in a decrease in business revenue as a portion of the unemployment insurance payments would have been re-spent in the economy.
- The applicable unemployment premium rate is determined by the premium rate table utilized, determined by the balance in the Fund as of June 30 and December 31 of each year, as well as each individual employer's reserve ratio.
- As of January, 2021, the Fund had a balance of \$1,108,533,895, and rate table 6 is applicable. Rate table 6 will continue to be applicable, regardless of this legislation.
- Based on information provided by the Department of Labor, this legislation may result in lowered premium payments for businesses for unemployment insurance.
- The amount of any such decrease is based upon multiple unknown factors and cannot be estimated at this time, with any reasonable certainty.
- No significant impact to jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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